

**REPORT OF THE CITIZENS' OVERSIGHT COMMITTEE  
TO THE BOARD OF EDUCATION OF THE PASADENA UNIFIED  
SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**January 17, 2018**

**Submission of Annual Report**

The Citizens' Oversight Committee of the Pasadena Unified School District hereby submits to the Board of Education this report concerning the expenditure of Proposition TT bond proceeds for the fiscal year July 1, 2016 through June 30, 2107, as required by section 3.3 of the Committee's Bylaws.

**The Committee's Duties**

The Committee's duties are defined by the California Constitution, the California Education Code, and the Committee's bylaws. Under the Constitution and the Education Code, the purpose of the Committee is to inform the public whether the Proposition TT bond proceeds are used only for the "construction, reconstruction, rehabilitation, or replacement of school facilities . . . and not for any other purpose, including teacher and administrator salaries and other school operating expenses."<sup>1</sup> The bylaws specifically require that the Committee's annual report contain a statement whether the District is in compliance with those laws and a summary of the Committee's activities for the reporting year.<sup>2</sup> The bylaws also permit the Committee to review the District's management of bond proceeds and to make recommendations to improve efficiency and minimize costs.<sup>3</sup>

**Executive Summary of the Committee's Findings**

During the past fiscal year, there have been several material violations by the District<sup>4</sup> of the law governing the expenditure of Proposition TT bond proceeds.<sup>5</sup> In particular, bond proceeds have been improperly spent on legal fees, staff salaries, consultant compensation, and other activities that are unrelated to school construction and rehabilitation. Despite repeated objections by the Committee, these deficiencies have not been corrected. Three other major deficiencies have made it unnecessarily difficult for the Committee, the Board, and the public to determine whether TT funds are being spent legally and wisely. First, the Committee has been unable to obtain from the District all of the information that the Committee needs to perform its oversight function. Second, the

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<sup>1</sup> California Constitution, Art XIII A, sec. 1(b)(3); Education Code sec. 15278(b).

<sup>2</sup> Bylaws, sec. 3.3.

<sup>3</sup> Bylaws, sec. 4.1(c)

<sup>4</sup> The [Pasadena Unified School] District is the governmental entity legally responsible for the management of Proposition TT funds. Actual management is exercised by the Facilities Department of the District. Unless otherwise noted, all references in this report to "the District" can be read as references to the Facilities Department.

<sup>5</sup> Despite these violations, the majority of Proposition TT funds were spent lawfully.

reporting of Proposition TT expenditures by the District is incomplete, confusing, and frequently inaccurate. Third, the process for the budgeting of Proposition TT expenditures is haphazard and incoherent. This report addresses each of those subjects in turn and offers specific recommendations for correcting these deficiencies.

### **Impermissible Expenditures of TT Funds**

In fiscal year 2016-2017, the District spent \$66,151 on legal fees related to surplus property disposition and \$21,246 on general administrative expenses of the Facilities Department, a total of \$87,397. In the opinion of the Committee, neither type of expense is eligible for payment out of TT funds.<sup>6</sup> Note that \$87,397 to which the Committee takes exception is for 2016-2017 only. Legal fees related to property disposition for fiscal year 2015-2016 were \$38,398, and Facilities general administrative expenses were \$23,485, a total of \$61,883. The Committee has no idea what were the amounts of such legal fees in years before then.

The Committee formally notified the Board on July 16, 2017 that the payment of certain legal fees out of TT funds is contrary to law (Exhibit A), but the Committee received no response and is unaware that any remedial action has been taken.

Equally, if not more, problematic is the payment of Facilities Department staff compensation out of TT funds. According to information provided to the Committee by the District, 100% of the compensation of seven Facilities Department employees was charged to TT funds. Charging TT funds with a commensurate portion of employee compensation for work done on TT matters can be legitimate. However, it is improper to charge TT funds with 100% of staff compensation when it is clear that not all of those employees spent all of their time working on TT matters.<sup>7</sup>

How much TT money are we talking about? Who knows? It is impossible to quantify the total amount of improper charges because, despite the Committee's requests, the District has failed to provide the Committee with any allocations between the TT and non-TT work performed by each employee. Furthermore, as in the case of legal fees, the Committee has no idea what were the amounts improperly charged to TT funds in prior fiscal years.

In addition, the District charged other expenses like travel and conferences, office-related repairs, and copier leases to TT funds. Although the amounts involved were

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<sup>6</sup> Since the close of the fiscal year, the Director of Facilities advised the Committee that legal fees attributable to the "7-11 Committee" would no longer be charged to TT and that the \$63,068, charged in 2016-2017 would be restored. Whether the former representation is accurate the Committee does not know. As of November 15, 2017, no such amounts have been restored.

<sup>7</sup> In October, 2017 one employee listed her various functions: "Construction Specialist, Athletic Field HS and MS Manager, Civic Center Permits Supervisor, Energy Conservation Manager, IPM Coordinator, LCP Tracker Manager, Muir Ranch Administrator, School Garden Designed/Builder, School Garden Student Intern Supervisor, and Volunteer Coordinator for Landscape Beautification Projects."

small, the principle is the same. TT funds are restricted funds and are not allowed to be used for prohibited expenses like “school operating expenses.”

In objecting to the use of TT funds to pay certain legal fees and 100% of employee compensation, the Committee provided its analysis to the District and supported its conclusions with the opinions of the Committee’s legal counsel. The District never provided the Committee with any substantive justification of its position and failed to take any corrective action. In essence, the District simply ignored the Committee—and continues to do so.

Various excuses have been offered for the District’s conduct. One is that the impermissible expenditures were mere bookkeeping errors, putting expenses into “the wrong bucket.” No, spending TT funds on unqualified activities was not a bookkeeping error. It was the use of funds for a prohibited purpose, a substantive legal violation. The practice cannot be justified by how it is booked, and a violation cannot be reversed by booking the payments in some other manner. It can be corrected only by restoring to the TT fund money that should not have been charged to it in the first place. To discourage this kind of conduct in the future, the Board needs to adopt clear, comprehensive written standards for the expenditure of TT funds and insist that the District adhere to them.

Another excuse is that any errors were trivial in relation to the \$350 million total bond issue. Is this assertion even true? Once again, who knows the total amount of impermissible expenditures? The District has not provided the information necessary to answer this question either for the 2016-2017 year or prior years. The total amount of expenses improperly charged to the TT fund since its inception undoubtedly runs into hundreds of thousands of dollars, not a trivial amount by most people’s standards, even if it is a small percentage of the total bond proceeds.

A more fundamental problem is that the law says that the District may not spend *any* TT funds on certain things. It matters not whether the amounts impermissibly spent were large or small in relation to the total bond issue. The same response applies to another excuse: “we have a job to do; let’s not get bogged down with all these technicalities.” The law is not a mere technicality. Compliance is not optional. The Committee appreciates that general funds are scarce, but when it comes to spending TT money, that fact is irrelevant. TT funds are restricted funds that cannot be used to cover shortfalls in other funding sources.

### **The Committee’s Difficulty in Obtaining Critical Information from the District**

The Committee needs certain information in order to perform its oversight function. First and foremost, it needs to know about *all* proposed expenditures of TT funds before the appropriation requests are approved by the Board and before the money

is spent. The Facilities Department usually provides to the Committee Board Reports<sup>8</sup> that end in the suffix “F” but not other Board Reports. Sometimes those non-F Board Reports call for the expenditure of TT funds, and the Committee learns of them only by chance. Sometimes the District does not even provide the Committee with “F” Board Reports.

The Committee needs basic information about the past, present, and future status of all TT projects in order to understand and report the Big Picture: how is the District managing the funds that the public entrusted to it for school construction, rehabilitation, and repair. Sometimes the Committee needs information about a particular project, either to address a potential problem with that project or to serve a broader purpose. For example, in May 2017 the Committee requested specific information about Norma Coombs in order to test the numbers in the April 2017 “spend-out plan.” *See* Exhibit B. The Committee wanted to provide the District with an opportunity to explain how its current budget numbers are derived. To date, neither the data nor an explanation of how the numbers were derived has been offered, except for the dismissive remark, “We have a process.” It is an unacceptable budgeting practice to not be able to explain the source of a budget.

In the case of “dual purpose” expenditures, those properly allocable partly but not entirely to TT funds, the Committee—and, we believe, the Board—need a reasonable, fact-based allocation between the two portions. Prime examples of dual-purpose expenditures are legal fees and employee and consultant compensation. The District should provide the necessary information voluntarily in response to the Committee’s requests. The Committee should not be compelled to have to file a Public Records Act request to obtain the information necessary to perform its oversight function, as the Committee was compelled to do this past summer. *See* Exhibit C.

While some of the Committee’s questions require the District to consult its records and respond with data, other questions can frequently be answered by a knowledgeable member of the Facilities Department. In practice, this means the Director of Facilities. Unfortunately, the Director no longer regularly attends Committee meetings, as he did up until 2017. Instead he has sent a staff member who, while fully cooperative, frequently cannot answer the substantive questions posed to him—other than to say, “please put your request in writing.” Barring a legitimate need to be elsewhere, the Director of Facilities needs to attend all Committee meetings in person.

### **Lack of Transparent Reporting of the Use of TT Funds**

Meaningful reporting of the expenditure of TT funds is essential in order for the public to see how those funds are being spent, what they are getting for their tax dollars, and whether they can trust the District with their money. The public and the Board need

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<sup>8</sup> “Board Reports” are the title of documents that are used by the District to request Board approval of proposed TT expenditures and commitments.

to be able to see, clearly and in one place, essential information about the financial and physical status of *all* TT-funded projects. With this information the Board and the public can see what was originally planned, what has actually happened, and what remains to be done. The report must account accurately for all TT funds. It must account for all TT projects, whether in progress, completed, or abandoned. It is especially important that for each TT project, the Board and the public be able to compare amounts spent or obligated to date with the work actually done to date. If, for example, amounts spent and obligated to date are 75% of the total budgeted amount for a particular project but the job is only 40% completed, trouble is brewing. Unless the project is scaled back or abandoned, the budget will be exceeded. If, on the other hand, amounts spent and obligated are 75% of the total budgeted amount and the job is 70% completed, there is probably little to worry about.

To date no single report by the District provides this essential information in one, clear executive summary. The District's "budget status reports," which are discussed in detail below, do not compare amounts budgeted, committed, and spent with what is happening on the ground. Thus, an interested person (including a Board member) cannot determine whether a project is on track or on trouble. He cannot determine how much more money is needed to complete the project or when it is likely to be completed. He cannot estimate what TT funds will remain for other projects after the project is completed.

Since the beginning of 2017, the Committee has strongly urged the District to produce, update, and publish on a regular basis an executive summary of all TT-funded projects that would include the following basic information—in one place, in easily understandable format, and juxtaposed to permit comparison:

- The original budgeted amount, as approved by the Board
- The current budgeted amount Board, as approved by the Board
- The amount of TT funds committed to date
- The amount of TT funds spent to date
- Percentage of project completion
- Estimated date of completion
- Estimated remaining total cost of completion
- The variance between budgeted amount of estimated total cost of completion
- Identification of the contractor(s) and architects

Much more detailed information would still be available to everyone, but these few key pieces of information would answer the vast majority of questions the public is likely to ask and that the Board needs to be able to answer. Unfortunately, such a report still does not exist, nor has the District committed to produce one. The Committee has offered to prepare the report, but it has been unable to obtain from the District all of the information it needs to do so. All of the information needed either already exists or is

readily available to the District. The Committee has given the District a workable template. It would take little time to fill in the blanks each month.

### **The TT Budgeting Process**

The Committee's role in the TT budgeting process is a limited one: to make sure that TT funds are spent as promised in the original ballot proposition and as required by law. Otherwise, TT budgeting is the responsibility of the District and, ultimately, the Board. It is the Board which is responsible for setting priorities, allocating funds among eligible projects, and insuring that its decisions are properly implemented by the District. However, in addition to performing its principal mission, the Committee is authorized to review the District's efforts to "maximize bond proceeds" by reducing costs, incorporating efficiencies, and promoting efficiencies.<sup>9</sup> It is with that objective that the Committee offers its comments on the existing TT budgeting process.

In the Committee's opinion, the present TT budgeting process is unstructured, chaotic, and incoherent. Proper oversight is difficult at best and sometimes impossible. Although the consequences of these deficiencies are impossible to quantify, they almost certainly result in avoidable inefficiencies and unnecessary waste of public funds.

The Facilities Master Plan is supposed to establish priorities for school construction projects. The Plan, originally adopted in 2008, has not been formally updated since 2012. It is difficult to budget without knowing what the budget is supposed to achieve.

The Board of Education approves updated budgets for the District on a regular basis, but those budgets do not contain sufficient detail to see on which projects and in which order TT funds are going to be spent or whether proposed expenditures are consistent with previously approved budgets. The District periodically issues (in varying formats) "budget status reports," but they suffer from several serious defects. The principal defect is their failure to match money spent or committed against actual achievement on the ground so that one can tell quickly where each TT project stands and where it is headed. A second major defect is that the budget status reports do not account for all TT projects. A third major defect is that these critical documents are not available to the public. The February 15, 2017 report is the only one that has been posted. *See* Exhibit D.

The budget status reports are defective in other ways as well. They show expenditures but not commitments for future expenditures, thereby giving a misleading picture of total TT funds devoted to a project. What matters is not simply dollars spent as a percentage of the total budget but dollars spent *and committed to be spent* as a percentage of the total budget. *See*, for example, in the budget status report of February

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<sup>9</sup> Bylaws, sec. 4.1(c).

15, 2017. There is a column entitled “% of Budget Spent” but no comparable column for “% of Budget Spent or Committed.”

Another problem is that the budget status reports lists projects that are not really projects and that may not be properly chargeable to TT, because they do not involve the construction, renovation, or repair of a school. One example in the February 2017 report is "Career Technical Education Projects," for which \$11.4 million has been budgeted, \$2.7 million has been committed, and \$8.7 million remains. Quite apart from the legality of paying for such functions out of TT funds, their inclusion in a TT budget distorts the budget and undermines its accuracy. Squirreling unallocated money away in what appears to be a TT project construction account is hardly transparent budgeting. If budget items like this really represent a reserve for unforeseen expenses, something that is entirely legitimate, then they should be clearly denominated as such, reasonable in amount, and knowingly approved by the Board

It only makes matters worse that some published budget status reports contain gross errors and omissions. For example, the February 15 report shows a total TT budget of \$343.8 million, which is reasonably close to the \$350 million total bond proceeds, but the budget status report entirely omits Blair Middle School, which cost about \$14 million. The omission of a major project from a report that purports to account for all TT funds does not give one much confidence in the report.

Matters have not improved since the close of the fiscal year. The Measure TT budget as of September 7, 2017 shows a current budget of \$418.6 million, a strange bit of optimism given that the total bond proceeds are \$350 million plus a small amount of interest income. The Committee questions whether anyone checks these reports before they are published. Whether or not that happens, gross errors like this call into question the accuracy of the other data contained in these reports.

In addition to its budget status reports, the District issues various “spending plans,” which are intended to show how remaining TT funds should be spent.<sup>10</sup> The principal problem with these spending plans is that they do not show how the numbers on them were derived. Those numbers have changed frequently since last April without explanation. Of course, needs change over time, but necessary changes should be clearly identified, quantified, and explained.

### **The Essence of the Oversight Problem**

When it comes to the use and management of TT funds, oversight of the Facilities Department by the Board and the Committee has been and remains ineffective. The TT school bond construction program is a vast 10-year project that involves the expenditure of more than \$350 million on up to 26 schools. Effective oversight requires knowledge, commitment, time, and persistence, all of which the District possesses. The same cannot

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<sup>10</sup> Since April 2007, the District has issued multiple, ever-changing versions of its spending plan.

be said for the Board or the Committee. The Board has 7 part-time members, who have numerous responsibilities in addition to monitoring the TT program. The Committee has a maximum of 15 part-time unpaid volunteers, who do the best they can with limited resources but who have no power to do anything. If the Board's Facilities Committee devoted more time and care to meaningful oversight of the District's management of TT funds, if the Facilities Committee scrutinized and questioned TT expenditures as the Committee does, then many of the problems identified in this report would not exist. However, for reasons unknown to the Committee, that is not the case.

Even given these limitations, the Committee could probably provide adequate oversight—if the District cooperated in good faith. However, the Facilities Department resists effective oversight by the Committee—and is largely effective in its resistance. The Department has two great advantages over the Committee. First is its control of information, which it exercises in several fashions. It fails to provide all the information that the Committee needs while it offers to provide reams of information that is neither useful nor desired. It dribbles out important information piecemeal so that it is difficult for the Committee to see the big TT picture. It promises to deliver but then does not.

But the Facility Department's greater advantage is its knowledge that the Committee has no real power—no power to compel the production of information, no power to compel any action. Thus, the Department can slow-walk its responses to the Committee's requests for information or ignore them entirely. The Department can ignore any findings or recommendations by the Committee that the Department does not like in the knowledge that unless the Board becomes involved—which the Board rarely does—the District can continue doing whatever it wants with TT funds. It is reasonable to assume that the Board and the public wish TT funds to be spent as promised in the original ballot measure and as required by law. If this is the goal, there appear to be only two possible solutions: the District can cooperate with the Committee or the Board can begin to give serious consideration to the Committee's findings and recommendations and implement the ones it deems meritorious. At least the Board has the power to do so.

## **Recommendations**

The following recommendations by the Committee, if adopted by the Board and implemented in good faith by the District, would largely remedy the numerous problems identified in this report.

- Reforms to facilitate the review of specific TT expenditures
  - All proposed expenditures of TT funds should be submitted to the Committee before they are submitted to the Board. This is the modus operandi of the Los Angeles Unified School District.



- The Committee (and the Facilities Committee of the Board) should be given adequate time to review the proposed expenditures.
- Proposed dual-purpose expenditures should state a reasonable, fact-based allocation between TT and non-TT funds.
- All proposed TT expenditures that are disapproved by the Committee but nevertheless desired by the District should receive special scrutiny by the Board. If the Committee's disapproval is supported by the opinion of its independent counsel, then at the very least the District should obtain the opinion of its counsel before the Board makes a final decision.
- Reforms to prevent or correct impermissible expenditure of TT funds
  - The Board should adopt clear, comprehensive standards for the expenditure of TT funds and insist that the District adhere to them or explain why it is not doing so. The Committee has already adopted such detailed standards, and it recommends those standards to the Board. (They are attached as Exhibit E.) The Board is not obligated to adopt them wholesale, but at least they are a good template for what the standards should cover.
  - The District should appoint an employee who is entirely independent of the Facilities Department as an internal auditor of the expenditure of TT funds to insure that all such expenditures comply with the law and have been approved by the Board.
  - If the Board concludes that TT funds have been improperly spent, then the District should be required to reimburse the TT account within 30 days of the Board's finding.
- Reforms to insure that the Committee receives the information necessary to perform its oversight function
  - The Board should direct the District to respond promptly and in good faith to all reasonable requests for information by the Committee.
  - If the District cannot comply, then the District should advise the Committee in writing why it cannot and suggest an alternative means of giving the Committee what it needs.

- Absent special circumstances, the Director of Facilities should be required to attend all Committee meetings for their duration.
- Reforms to insure that the Board and the public are kept currently apprised of the status of TT projects and the TT fund
  - The Board should direct the District to prepare an overall summary of the financial and construction status of TT projects containing all of the essential information identified by the Committee and to revise this summary on a monthly basis.
  - All important reports should be promptly posted on both the District's and the COC's website.
- Reforms to improve reporting, spending, and budgeting.
  - At present, when it comes to the management of TT funds, the Facilities Department effectively controls spending, reporting, and auditing, a system with an inherent conflict of interest that would not be permitted to exist in the private sector. Building and spending should be separated from reporting and auditing. The Facilities Department under the direction of the Chief Facilities Officer would remain responsible for the former. The Business Department under the direction of the Chief Business Officer would become responsible for the latter, just as she is already responsible for the District's non-TT financial functions. For example,
    - Budget status reports showing all the essential information should be prepared and issued on a monthly basis by the Chief Business Officer.
    - Facilities Department employees who are currently responsible for TT accounting should be answerable to the Chief Business Officer, not the Chief Facilities Officer, although those employees would continue to work in and with the Facilities Department.
    - An employee of the Business Department should be assigned, if only on a part-time basis, to the Facilities Department to strengthen the Facilities Department's internal control system, particularly when it comes to the expenditure of TT funds on questionable items.

- The annual independent financial and performance audits, which are required by law, should be managed on the District's part by the Chief Business Officer.
- Review of all key financial and construction status reports needs to be institutionalized. Although it is essential that the District generate comprehensive, accurate reports and then post them, that is not enough. The reports need to be examined and evaluated and then presented to the Board for appropriate action. The logical entities to perform the latter function are the Oversight Committee and the Facilities Committee of the District. However, as previously noted, the Oversight Committee and the Facilities Committee must be given the relevant information in sufficient time to review it before the information is presented to the Board for action, and the Board should defer any major action until it has received the input of the Oversight Committee and the Facilities Committee, particularly if the legality of a proposed TT expenditure is at issue.
- Budgeting should be a collaborative effort by the District and the Board in which the District proposes and the Board disposes. Thereafter, the District must adhere to the budget unless the Board permits otherwise. All changes to the prevailing budget requested by the District should be explained, including an explanation of the effect of such changes on other budget items.
- Every budget should . . .
  - Account for all TT projects—past, present, and future;
  - Account for the totality of TT funds
  - Be promptly posted on the District's website.

### **Major accomplishments and Failures of the Committee during the Fiscal Year**

The most significant accomplishment of the Committee during the past fiscal year has been the increased scope and intensity of its oversight of the expenditure of TT funds, as summarized in the preceding pages of this report. In addition, the Committee, with the assistance of the District, has arranged for a verbatim transcript of every Committee meeting so that anyone can determine exactly what was said and done without having to rely on meeting minutes, which are but a summary. The Committee also adopted detailed standards for the expenditure of TT funds, standards which it applies in recommending

approval or disapproval of proposed TT expenditures.<sup>11</sup> The Committee has referred several legal issues to its independent counsel for advice and has received counsel's opinions, on which the Committee has relied in making its findings and recommendations. Finally, the Committee has made it a policy to post in a timely fashion *all* significant documents on its website, including the following: meeting agendas, documents, minutes, and transcripts; all recommendations and reports to the District and the Board; all governing legal standards; and all requests for information. The Committee believes that the public deserves no less.

Accurate self-evaluation is next to impossible, but the Committee nonetheless has attempted to grade itself in the following areas:

- In exercising vigorous oversight of the expenditure of TT funds: A-
- In publicizing its oversight activities to the Board and the public: B
- In persuading the District to provide necessary information to the Committee: C-
- In persuading the District to improve the budgeting process: D
- In preventing impermissible TT expenditures: D-
- In causing the correction of impermissible TT expenditures: F

The low grades in the last four categories are not for want of effort. Rather, they reflect the reality that the Committee has no power to compel anything. Its only power is the power of publicity. To achieve results, the Committee must rely on Board action, District cooperation, and public involvement.

### **Review of the Independent Financial and Performance Audits**

The California Constitution requires that the District conduct an independent annual performance audit “to ensure that the [school construction bond] funds have been expended only on the specific projects listed.”<sup>12</sup> The Constitution also requires an independent annual financial audit “of the proceeds from the sale of bonds until all of those proceeds have been expended for the school facilities projects.”<sup>13</sup> The purpose of the financial audit is to review the District's financial statements of the TT fund to see whether they present fairly, in all material respects, the financial position of the fund and to note changes in financial position from the preceding year. The purpose of the performance audit is to determine whether TT funds were spent in accordance with governing law. The Education Code permits the Committee, as part of its oversight function, to review these audits,<sup>14</sup> as do the Committee's bylaws.<sup>15</sup>

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<sup>11</sup> The Committee sought the District's input in drafting these standards, but the District declined to participate saying that the law is an adequate guide.

<sup>12</sup> Constitution, Art XIII A, sec. 1(b)(3)(C).

<sup>13</sup> Constitution, Art. XIII A, sec. 1(b)(3)(D).

<sup>14</sup> Educ. Code sec. 15278(c)(1)-(2).

<sup>15</sup> Bylaws, sec. 4.1(a).

On November 30, 2017 the Chair of the Committee received an undated Audit Report, including unsigned draft opinions, which the Committee has reviewed. The Chair received the final audit report, including signed opinions on January 4, 2018. That final report and those final opinions are all dated December 11, 2017. The Committee does not know the reason for the delay in transmission but believes that except for the December 11, 2017 date, there are no substantive differences between the draft report and the final report.

The Audit Report contains an unqualified opinion on the accuracy of financial statements of the TT fund.<sup>16</sup> However, this opinion contains a critical qualification that calls into question the reliability of the financial statements to which the opinion pertains. It specifically disclaims any opinion on the effectiveness of the District's internal financial control system. It considers the District's internal controls only in so far as they are "relevant to the entity's preparation and fair presentation of the financial statements in order to design procedures that are appropriate in the circumstances, *but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.*"<sup>17</sup> (italics added)

The meaning of this tortured, oxymoronic language is unclear. The Committee reads it to mean that the auditor has considered the District's internal controls for booking the expenditures and accruals as they appear on its financials, *i.e.*, to determine whether the numbers track from initial recording to final financial statements, but not to determine whether such the expenses and accruals should have been booked that way in the first place.

Whatever the foregoing disclaimer means, it is difficult to reconcile with the requirements of the applicable Government Auditing Standards, which govern the instant audits.<sup>18</sup>

4.19 When providing an opinion or a disclaimer on financial statements, auditors should also report on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, or other agreements that have a material effect on the financial statements. Auditors reports on internal control and compliance, regardless of whether or not they identify internal control deficiencies or instances of noncompliance.  
[footnotes omitted]

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<sup>16</sup> "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "TT" General Obligation Bond Building Fund of Pasadena Unified School District, as of June 30, 2017, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America." Audit Report, p. 2.

<sup>17</sup> Audit Report, "Auditor's Responsibility," p. 2

<sup>18</sup> There is no dispute that *Government Auditing Standards* govern, a fact which the Audit Report acknowledges. *Id.*

4.20 Auditors should include either in the same or in separate report(s) a description of the scope of the auditors' testing of internal control over financial reporting and of compliance with provisions of laws, regulations, contracts, or grant agreements. Auditors should also state in the reports whether the tests they performed provided sufficient, appropriate evidence to support opinions on the effectiveness of internal control and a compliance with provisions of laws, regulations, contracts, or grant agreements.

The Board of Education and the public are, of course, free to interpret the meaning of the auditor's disclaimer and to determine whether it meets the applicable auditing standards, but it seems to the Committee that if an entity's internal financial controls are inadequate to insure both consistent *and accurate* reporting of financial data, then the resulting financial statements are of dubious value. They certainly cannot be held out as proof of compliance with the law.<sup>19</sup>

No such ambiguity exists when it comes to the Audit Report's disclaimer of any opinion on the District's compliance with the law:

As part of obtaining reasonable assurance about whether Pasadena Unified School District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. *However, in providing an opinion of compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.*" . . . (italics added)<sup>20</sup>

How the Audit Report reconciles this statement with sections 4.19 and 4.20 of Government Auditing Standards the Committee cannot fathom.

As previously noted, the law prohibits the use of school construction bond funds for "administrator salaries and other school operating expenses."<sup>21</sup> Before rendering the

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<sup>19</sup> For the purpose of illustration, assume that the District were to spend \$600,000 on replacing the roof of a school. The new roof has an estimated life of 25 years. The cost is erroneously recorded as a repair expense in a particular sub-account. This expense is ultimately combined with all other such expenses to produce one composite line item—"Repairs"—on the income statement. The District's internal controls insured that all of the repair numbers were charged to the correct repair sub-accounts and that they all added up properly. The problem, however, is that the expenditure should not have been classified as an expense to begin with.

<sup>20</sup> Audit Report, p. 13.

<sup>21</sup> California Constitution, Art XIII A, sec. 1(b)(3); Education Code sec. 15278(b).

opinion that is part of the performance audit, the auditor stated that “. . . we verified that funds held in the Building Fund (21.1) [the TT construction fund] were not used for salaries or school administrators or *other operating expenses* of the District.”<sup>22</sup> It is therefore amusing to see that the Statement of Revenues, Expenditures, and Changes in Fund Balance, which is an integral part of the District’s financials blessed by the auditor, contains a category entitled “Services and *other operating expenditures*.” These expenditures include such items as travel and conferences, repairs, and copier lease and repairs.<sup>23</sup> At least the District deserves credit for candor . . .

But not for completeness. The Audit Report also says nothing at all about the propriety of charging 100% of the compensation of 7 Facilities Department employees to the TT fund, a major bone of contention between the Facilities Department and the Committee during the past year.

In conclusion, while some of the issues raised in the forgoing critique of the Audit Report are subject to reasonable differences of opinion, there remain other significant, problematic issues that are either sidestepped by broad disclaimer or simply ignored. Thus, the Audit Report and the opinions contained in it can hardly be held up as a clean bill of health for the TT funds managed by the District. The Board should demand more of the District’s auditor. A good start would be to insist that the auditor either comply with the applicable Government Auditing Standards or explain clearly why, notwithstanding its disclaimers, it thinks that it has done so. Another important step would be to negotiate a better contract with the auditor(s), one that does not permit the auditor(s) to disclaim a number of important opinions. A third improvement, one suggested by the Chief of Facilities, would be to have separate auditors for the financial and performance audits.

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<sup>22</sup> Audit Report, p. 15. Italics added for emphasis.

<sup>23</sup> As is the case with legal services, whether other items like repairs, contracted services, and consultants were also operating expenses cannot be determined without knowing the *purpose* of those expenditures.

## **Closing**

The Committee hopes that this report will assist the Board in improving oversight and management of the Proposition TT school construction bond fund for the benefit of Pasadena school children, their parents, the City of Pasadena, and all its residents.

Respectfully submitted,

/s/ Clifton B. Cates III  
Chair, Citizens' Oversight Committee

January 22, 2018



## Members of the Citizens' Oversight Committee

<u>Name</u>	<u>Term Expires</u>
Clifton B. Cates, Chair	March 1, 2018
Quincy Hocutt, Vice Chair	March 1, 2019
Gretchen Vance, Immediate Past Chair	March 1, 2018
Francis Boland	March 1, 2019
Steven Cole	March 1, 2019
Glenn DeVeer	March 1, 2018
Camille Dudley	March 1, 2019
Mike Mohit	March 1, 2019
Willie Ordonez	March 1, 2019
Mikala Rahn	March 1, 2019
Diana Verdugo	March 1, 2019
James Vitale	March 1, 2019
Jen Wang	March 1, 2018
Kimberly Kenne, Board Liaison	N/A

## **Exhibit List**

Exhibit A: COC notice of July 16, 2017 to the Board of Education regarding unlawful Board-approved expenditure of Proposition TT funds

Exhibit B: COC request of May 2, 2015 for information pertaining to the budgeted costs for renovation of Norma Coombs Elementary School

Exhibit C: COC Public Records Act request of August 14, 2017

Exhibit D: District's budget status report of February 15, 2017

Exhibit E: COC Standards for the Expenditure of Measure TT funds

**EXHIBIT A**

**CITIZENS' OVERSIGHT COMMITTEE  
PASADENA UNIFIED SCHOOL DISTRICT**

*Clifton B. Cates III – Chair  
Quincy Hocutt – Vice Chair  
Steven Cole  
Geoffrey Commons  
Glenn DeVeer  
Joelle Morisseau-Phillips  
Willie Ordonez  
Mikala Rahn  
Gretchen Vance  
Diana Verdugo  
Jenifer Wang*



Pasadena, California

July 16, 2017

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*Kimberly Kenne – Board Liaison*

Mr. Roy Boulghourjian  
President, Board of Education  
351 South Hudson Avenue  
Pasadena, CA 91109

Re: Illegal Board-approved expenditures of Proposition TT funds

Dear Mr. Boulghourjian:

In its letter to you of May 23, 2017, the Citizens' Oversight Committee explained why it had disapproved Board Report 114-B, which sought an additional \$200,000, payable entirely from Proposition TT funds, for legal services rendered and to be rendered to the District by the law firm Atkinson, Andelson, Loya, Ruud & Romo. The problem was that the authorization was not limited to Proposition TT-related school construction legal services but allowed Proposition TT funds to be used for general legal services.

The District's response was simply to reword the language of Board Report 114-B and resubmit it to the Board as Board Report 113-B. There was no other change—to the underlying contract or to the contemplated use of TT funds. The Board then approved Board Report 113-B, which the District may now follow.

In the opinion of the Citizens' Oversight Committee and the opinion of its independent counsel, the use of Proposition TT funds, past or future, to defray legal

expenses for anything other than those directly related to Proposition TT-sanctioned activities is illegal. The Committee strongly urges the Board of Education to rescind its approval of Board Report 113-B, limit the authorization as necessary to insure compliance with the California Constitution and Education Code, and restore to the Proposition TT account any illegal expenditures already made.<sup>1</sup>

Sincerely,

/s/ Clifton B. Cates  
Chair, Citizens' Oversight Committee

cc: All members of the Board of Education  
Brian McDonald

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<sup>1</sup> Dr. Brian McDonald's letter to me of July 12, 2017, a copy of which was sent to you, misses the essence of the Committee's objection: that Board Report 113-B permits the illegal expenditure of Proposition TT funds. The accompanying spread sheet does not show the reason for the legal services; it merely shows the District's allocation of the fees to various schools and "7-11 Committees." As such, Dr. McDonald's letter is entirely nonresponsive to the Committee's concern.

## **EXHIBIT B**

**CITIZENS' OVERSIGHT COMMITTEE**  
**PASADENA UNIFIED SCHOOL DISTRICT**

May 2, 2015

Mr. Nelson Cayabyab  
Chief of Facilities, Pasadena Unified School District  
351 S. Hudson Avenue  
Pasadena, CA 91101

Dear Nelson:

As part of its statutory duty to monitor Proposition TT expenditures, the Citizens' Oversight Committee is attempting to review the April 2017 "Spend-out Plan" proposed by the Facilities Department. Many of the numbers appearing in the Spend-out Plan are significantly different from the February 2017 publicly-promulgated budget. The Citizens' Oversight Committee, the Board of Education, and the public need to know why. At this point, we cannot figure out where many of those numbers came from.

Let us use Norma Coombs as an example. The current remaining total budget is \$4,787,261. The proposed "spend-out" is \$6,900,000. Where is the additional \$1,212,739 to come from, and on what will it be spent? In order to answer those questions, the Citizens' Oversight Committee hereby requests that you provide us with the following information as soon as it is available:

- Needs assessment
- Owner-architect agreement
- Written program for the project
- Architect's written budget at the completion of (i) schematic design, (ii) design development, and (iii) construction documents Board reports requesting the expenditure of Proposition TT funds on the project
- All changes to any of the foregoing documents

As the work progresses, we will need to review additional project information, such as the owner-contractor agreement, the schedule of values as determined by the general contractor, monthly payment requests, and change orders.

Note that we are not asking Facilities to *create* any new documents for the Committee or to provide any other information that it does not already possess or will not acquire in the ordinary course of business. Consequently, fulfilling the Committee's request should not be a burden.

If you have any questions, please direct them to Glenn de Veer, who is the Chair of our Architecture and Construction Subcommittee, and send a copy to Quincy Hocutt and me.

Of course, the foregoing information does not answer the first question: where is the additional \$1.2 million to come from? If you can explain that, we will be most grateful.

Sincerely,

  
Clifton B. Cates  
Chair



## **EXHIBIT C**

**CITIZENS' OVERSIGHT COMMITTEE  
PASADENA UNIFIED SCHOOL DISTRICT**

*Clifton B. Cates III – Chair  
Quincy Hocutt – Vice Chair  
Steven Cole  
Glenn DeVeer  
Joelle Morisseau-Phillips  
Willie Ordonez  
Mikala Rahn  
Gretchen Vance  
Diana Verdugo  
Jen G. Wang  
James Vitale  
Leslie Cross  
Francis Boland  
Camille Dudley  
Mike Mohit*



Pasadena, California

August 14, 2017

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*Kimberly Kenne – Board Liaison*

VIA EMAIL AND FIRST CLASS MAIL

Ms. Hilda Ramirez Horvath  
Coordinator, Office of Communications  
Pasadena Unified School District  
351 South Hudson Avenue  
Pasadena, CA 91109

Re: Public Records Act Request

Dear Ms. Horvath:

I. Request for Information

The Pasadena Citizens' Oversight Committee (the "Committee") hereby requests that pursuant to Government Code sections 6250 through 6276 the Pasadena Unified School District (the "District") identify and make available for inspection by the Chair or Vice Chair of the Committee the following information. Note that for the present the Committee is not requesting that the District provide copies of the information requested.

## II. Specific Information Sought

The information sought consists of all writings<sup>1</sup> described below that were created in or that pertain to the District's fiscal years ended June 30, 2016 or June 30, 2017:<sup>2</sup>

- Certain Board Reports. All Board Reports whose numerical designations do not end with the suffix "F" and that request any funding from the proceeds of the school construction bonds authorized by Proposition TT ("TT funds").<sup>3</sup>
  - All writings showing the action taken by the Board of Education on such Board Reports
  - All writings showing expenditures made by the District pursuant to such Board Reports including the dates, amounts, payees, and reasons for such expenditures
  - All writings that constitute communications within the District or between the District and the Board of Education ("Internal Communications") pertaining to such Board Reports
- Payment of District legal fees out of TT funds.
  - All non-privileged writings referring to legal services rendered to the District for which payment was made out of TT funds. Such writings include, but are not limited to, those that

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<sup>1</sup> "Writing" shall have the same meaning as in Government Code sec. 6252 and in the District's "Access to District Records," AR 1340.

<sup>2</sup> Note that writings "pertaining to" either of these two fiscal years can include writings generated in other fiscal years.

<sup>3</sup> Board Reports 113-B and 914-F are attached as examples of the types of reports that are sought and not sought, respectively.

- Show the nature or purpose of the legal services rendered, such as the bills rendered by the lawyers or law firms to the District
  - Show the dates, amount, and payees
- All writings showing the action taken by the Board of Education concerning such payments
- All Internal Communications pertaining to such payments
- Compensation of Facilities Department employees paid out of TT funds.
  - All writings describing the duties of Facilities Department employees any part of whose duties included working on TT-funded projects
  - All writings showing the percentage of the compensation of all Facilities Department employees charged to TT funds
  - All writings reflecting information on which the Facilities Department relied in charging those percentages to TT funds.
  - All writings showing the action taken by the Board of Education on the Facilities Department's practice of charging any portion of its employees' compensation to TT funds.
  - All Internal Communications pertaining to such payments

### III. Coordination with Superintendent

The information sought pertaining to the payment of District legal fees and Facilities Department employee compensation out of TT funds has been the subject of

several prior written requests by the Committee, the latest one of which was a letter dated July 24, 2017 to Dr. Brian McDonald. The Committee has not yet received a response from him, but you may wish to check with him to see if he has already assembled any of the information that we request in this letter.

If you have any questions, please feel free to contact me via email or telephone.

Sincerely,

/s/ Clifton B. Cates  
Chair, Citizens' Oversight Committee  
(626) 796-7018

## **EXHIBIT D**



**Budget Status Report**  
Budget versus Commitments and Expenditures

**Budget vs. Commitments and Expenditures**

School Name/Project Name	Budget	Commitments	Expenditures						
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures	Remaining Against Committed	% Budget Spent
<b>Altadena Elementary School</b>									
Altadena Elementary School - Modernization Project (95068.0) (2)	10,224,932	10,291,155	10,113,684	71,693	-	-	10,185,378	105,778	99.6%
	<b>10,224,932</b>	<b>10,291,155</b>	<b>10,113,684</b>	<b>71,693</b>	-	-	<b>10,185,378</b>	<b>105,778</b>	<b>99.6%</b>
<b>Altadena Elementary School</b>									
Altadena Elementary School - Measure T E-Rate (95180.0)	90,000	88,088	83,683	4,404	-	-	88,088	-	97.9%
	<b>90,000</b>	<b>88,088</b>	<b>83,683</b>	<b>4,404</b>	-	-	<b>88,088</b>	-	<b>97.9%</b>
<b>Blair High School</b>									
Blair High School - Career Technical Education (95145.0)	1,450,000	-	-	-	-	-	-	-	0.0%
Blair High School - Measure T E-Rate (95180.0)	270,000	428,677	407,243	8,185	13,249	-	428,677	-	158.8%
Blair High School - Modernization of Main Building (95056.0) (2)	18,505,169	3,136,755	2,596,667	31,990	10,762	-	2,639,419	497,336	14.3%
	<b>20,225,169</b>	<b>3,565,432</b>	<b>3,003,910</b>	<b>40,175</b>	<b>24,011</b>	-	<b>3,068,096</b>	<b>497,336</b>	<b>15.2%</b>
<b>Burbank Elementary School</b>									
Burbank Elementary School - Lunch Shelter/Renovation (95131.0) (2)	577,042	988,744	724,337	126,540	-	-	850,877	137,867	147.5%
	<b>577,042</b>	<b>988,744</b>	<b>724,337</b>	<b>126,540</b>	-	-	<b>850,877</b>	<b>137,867</b>	<b>147.5%</b>
<b>Career Technical</b>									
Career Technical - Career Technical Education Projects (95145.0) (1) (2) (3)	11,431,841	2,731,103	2,676,961	(4,469)	4,453	-	2,676,944	54,159	23.4%
	<b>11,431,841</b>	<b>2,731,103</b>	<b>2,676,961</b>	<b>(4,469)</b>	<b>4,453</b>	-	<b>2,676,944</b>	<b>54,159</b>	<b>23.4%</b>
<b>Center for Independent Studies</b>									
Center for Independent Studies - Career Technical Education (95145.0)	375,000	-	-	-	-	-	-	-	0.0%
	<b>375,000</b>	-	-	-	-	-	-	-	<b>0.0%</b>
<b>Cleveland Elementary School</b>									
Cleveland Elementary School - CLEVE - Student Safety Wall & Flooring Padding (1)	8,550	8,515	-	-	-	-	-	8,515	0.0%
Cleveland Elementary School - Measure T E-Rate (95180.0)	115,200	113,292	107,628	-	5,665	-	113,292	-	98.3%
Cleveland Elementary School - Modernize Kitchen (95121.0) (2)	453,138	107,445	105,802	1,643	-	-	107,445	-	23.7%
	<b>576,888</b>	<b>229,252</b>	<b>213,429</b>	<b>1,643</b>	<b>5,665</b>	-	<b>220,737</b>	<b>8,515</b>	<b>38.3%</b>
<b>CTE RESERVE</b>									
CTE RESERVE - Career Technical Education Projects	1,122,000	-	-	-	-	-	-	-	0.0%
	<b>1,122,000</b>	-	-	-	-	-	-	-	<b>0.0%</b>
<b>CTE ROP</b>									
CTE ROP - ROP (95145.0)	28,000	-	-	-	-	-	-	-	0.0%
	<b>28,000</b>	-	-	-	-	-	-	-	<b>0.0%</b>
<b>District Service Center</b>									
District Service Center - Facilities Administration (95000.0) (2) (4)	12,278,302	12,673,351	11,012,336	15,943	-	-	11,028,279	1,645,072	89.8%
	<b>12,278,302</b>	<b>12,673,351</b>	<b>11,012,336</b>	<b>15,943</b>	-	-	<b>11,028,279</b>	<b>1,645,072</b>	<b>89.8%</b>
<b>District-Wide</b>									
District-Wide - DW - PRI 0 - Windows (95136.0) (2)	6,739,563	136,130	116,130	-	-	-	116,130	20,000	1.7%
District-Wide - Reserve Fund for Capital Outlay Projects (1) (2) (4)	1,774,717	1,539,959	1,539,959	-	-	-	1,539,959	-	86.8%
	<b>8,514,280</b>	<b>1,676,089</b>	<b>1,656,089</b>	-	-	-	<b>1,656,089</b>	<b>20,000</b>	<b>19.5%</b>



## Budget Status Report

Budget versus Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						Remaining Against Committed	% Budget Spent
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures			
<b>Don Benito Elementary School</b>										
Don Benito Elementary School - HVAC (95146.0) (1) (3)	156,674	173,585	4,530	16,300	-	-	20,830	152,755	13.3%	
Don Benito Elementary School - Interim Housing (95181.0) (2)	20,000	629,879	394,369	3,409	-	-	397,779	232,100	1988.9%	
Don Benito Elementary School - Measure T E-Rate (95180.0) (2)	147,679	147,679	140,295	7,384	-	-	147,679	-	100.0%	
Don Benito Elementary School - New Admin Bldg (95097.0) (2)	4,878,843	784,605	595,462	3,007	-	-	598,470	186,136	12.3%	
	<b>5,203,196</b>	<b>1,735,748</b>	<b>1,134,656</b>	<b>30,101</b>	-	-	<b>1,164,757</b>	<b>570,990</b>	<b>22.4%</b>	
<b>Edison Elementary School</b>										
Edison Elementary School - Edison ES/Focus Point - Student Safety Wall & Flo (5)	-	21,360	-	-	-	-	-	21,360	-	
	-	<b>21,360</b>	-	-	-	-	-	<b>21,360</b>	-	
<b>Elliot Middle School</b>										
Elliot Middle School - Auditorium/Cafe Modernization (95015.0) (2)	10,676,909	10,058,011	7,271,012	1,230	59,948	-	7,332,189	2,725,821	68.7%	
	<b>10,676,909</b>	<b>10,058,011</b>	<b>7,271,012</b>	<b>1,230</b>	<b>59,948</b>	-	<b>7,332,189</b>	<b>2,725,821</b>	<b>68.7%</b>	
<b>Elliot Middle School</b>										
Elliot Middle School - Career Technical Education (95145.0)	250,000	29,261	29,261	-	-	-	29,261	-	11.7%	
Elliot Middle School - Measure T E-Rate (95180.0)	264,000	255,192	242,432	12,760	-	-	255,192	-	96.7%	
	<b>514,000</b>	<b>284,452</b>	<b>271,693</b>	<b>12,760</b>	-	-	<b>284,452</b>	-	<b>55.3%</b>	
<b>Field Elementary School</b>										
Field Elementary School - Measure T E-Rate (95180.0)	115,200	113,292	107,628	5,665	-	-	113,292	-	98.3%	
Field Elementary School - Modernization (95069.0) (2)	2,717,521	3,495,175	3,403,123	44,821	14,276	-	3,462,221	32,954	127.4%	
	<b>2,832,721</b>	<b>3,608,467</b>	<b>3,510,750</b>	<b>50,486</b>	<b>14,276</b>	-	<b>3,575,513</b>	<b>32,954</b>	<b>126.2%</b>	
<b>Franklin Elementary School</b>										
Franklin Elementary School - Measure T E-Rate (95180.0)	180,000	172,886	164,241	8,644	-	-	172,886	-	96.0%	
Franklin Elementary School - Modernize Cafe/MPR/Windows (95066.0)	2,171,566	2,113,828	2,112,205	-	-	-	2,112,205	1,623	97.3%	
Franklin Elementary School - Water Meter Separation (95148.0)	-	-	-	-	-	-	-	-	-	
	<b>2,351,566</b>	<b>2,286,713</b>	<b>2,276,446</b>	<b>8,644</b>	-	-	<b>2,285,091</b>	<b>1,623</b>	<b>97.2%</b>	
<b>Hamilton Elementary School</b>										
Hamilton Elementary School - Measure T E-Rate (95180.0)	144,000	138,499	131,574	6,925	-	-	138,499	-	96.2%	
	<b>144,000</b>	<b>138,499</b>	<b>131,574</b>	<b>6,925</b>	-	-	<b>138,499</b>	-	<b>96.2%</b>	
<b>Hamilton Elementary School</b>										
Hamilton Elementary School - Modernization MPR/Cafe (95071.0) (2)	4,474,560	4,105,086	4,084,130	-	-	-	4,084,130	20,956	91.3%	
	<b>4,474,560</b>	<b>4,105,086</b>	<b>4,084,130</b>	-	-	-	<b>4,084,130</b>	<b>20,956</b>	<b>91.3%</b>	
<b>Hodges Childrens Center</b>										
Hodges Childrens Center - Remodel (25.0) / Signage Project (12.0) (2)	214,450	114,947	80,452	-	-	-	80,452	34,495	37.5%	
	<b>214,450</b>	<b>114,947</b>	<b>80,452</b>	-	-	-	<b>80,452</b>	<b>34,495</b>	<b>37.5%</b>	
<b>Jackson Elementary School</b>										
Jackson Elementary School - Measure T E-Rate (95180.0)	133,200	130,487	123,962	6,524	-	-	130,487	-	98.0%	
Jackson Elementary School - Modernize of MPR/Cafe/Admin (95052.0)	4,124,742	3,313,553	2,525,194	490	-	-	2,525,684	787,870	61.2%	
	<b>4,257,942</b>	<b>3,444,040</b>	<b>2,649,156</b>	<b>7,014</b>	-	-	<b>2,656,170</b>	<b>787,870</b>	<b>62.4%</b>	





**Budget Status Report**  
Budget versus Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures	Remaining Against Committed	% Budget Spent
<b>Jefferson Elementary School</b>									
Jefferson Elementary School - Measure T E-Rate (95180.0)	162,000	156,861	149,018	7,843	-	-	156,861	-	96.8%
Jefferson Elementary School - Modernization (95079.0) (2)	764,352	977,938	798,930	1,750	-	-	800,680	177,258	104.8%
Jefferson Elementary School - New Child Care Center (95073.0) (2)	4,252,224	399,347	332,171	-	-	-	332,171	67,176	7.8%
Jefferson Elementary School - Water Meter Separation (95151.0)	123,853	-	-	-	-	-	-	-	0.0%
	<b>5,302,429</b>	<b>1,534,146</b>	<b>1,280,118</b>	<b>9,593</b>	-	-	<b>1,289,711</b>	<b>244,434</b>	<b>24.3%</b>
<b>John Muir High School</b>									
John Muir High School - Career Technical Education (95145.0)	3,700,000	75,059	75,059	-	-	-	75,059	-	2.0%
	<b>3,700,000</b>	<b>75,059</b>	<b>75,059</b>	-	-	-	<b>75,059</b>	-	<b>2.0%</b>
<b>John Muir High School</b>									
John Muir High School - ADA / CDBG Project (95812.0) (3)	175,608	61,954	37,771	-	-	-	37,771	24,183	21.5%
John Muir High School - JMuir Black Box Theater Project (95183.0) (3)	2,000,000	160,080	62,282	8,848	-	-	71,130	88,951	3.6%
John Muir High School - JMuir Culinary Arts Project (95184.0) (3)	1,450,000	30,947	7,594	-	-	-	7,594	23,354	0.5%
John Muir High School - Measure T E-Rate (95180.0)	570,000	555,842	528,050	-	27,792	-	555,842	-	97.5%
John Muir High School - Modernization, Abatement & Kitchen (95051.0) (2)	16,916,321	30,954,357	6,330,541	15,136	100,060	4,497	6,450,235	24,504,123	38.1%
John Muir High School - Security Sylem (95132.0)	179,234	159,785	159,785	-	-	-	159,785	-	89.1%
John Muir High School - Water Meter Separation (95152.0)	86,159	-	-	-	-	-	-	-	0.0%
	<b>21,377,322</b>	<b>31,922,965</b>	<b>7,126,022</b>	<b>23,984</b>	<b>127,852</b>	<b>4,497</b>	<b>7,282,356</b>	<b>24,640,610</b>	<b>34.1%</b>
<b>KLRN TV</b>									
KLRN TV - Career Technical Education (95145.0)	2,800,000	96,251	96,251	-	-	-	96,251	-	3.4%
	<b>2,800,000</b>	<b>96,251</b>	<b>96,251</b>	-	-	-	<b>96,251</b>	-	<b>3.4%</b>
<b>Linda Vista Elementary School</b>									
Linda Vista Elementary School - Linda Vista ES Modernization (95188.0) (5)	-	129,119	68,635	17,328	-	-	85,963	43,156	-
	-	<b>129,119</b>	<b>68,635</b>	<b>17,328</b>	-	-	<b>85,963</b>	<b>43,156</b>	-
<b>Loma Alta Elementary School</b>									
Loma Alta Elementary School - Measure T E-Rate (95180.0)	133,200	129,317	116,338	-	6,123	-	122,461	6,856	91.9%
	<b>133,200</b>	<b>129,317</b>	<b>116,338</b>	-	<b>6,123</b>	-	<b>122,461</b>	<b>6,856</b>	<b>91.9%</b>
<b>Longfellow Elementary School</b>									
Longfellow Elementary School - Measure T E-Rate (95180.0)	133,200	130,487	65,436	-	3,444	-	68,880	61,607	51.7%
Longfellow Elementary School - New Kitchen Bldg/Lunch Shelter/Auditorium (95051.0) (2)	3,586,109	570,637	492,610	41,312	2,142	-	536,064	34,573	15.0%
	<b>3,699,309</b>	<b>701,124</b>	<b>558,046</b>	<b>41,312</b>	<b>5,586</b>	-	<b>604,944</b>	<b>96,180</b>	<b>16.4%</b>
<b>Madison Elementary School</b>									
Madison Elementary School - Measure T E-Rate (95180.0)	97,200	96,100	91,295	4,805	-	-	96,100	-	98.9%
	<b>97,200</b>	<b>96,100</b>	<b>91,295</b>	<b>4,805</b>	-	-	<b>96,100</b>	-	<b>98.9%</b>
<b>Madison Elementary School</b>									
Madison Elementary School - Bldg A & Auditorium Renovation (95010.0) (2) (3)	1,609,400	648,731	597,143	-	-	-	597,143	51,588	37.1%
Madison Elementary School - Kitchen Modernization (95048.0) (2)	690,688	309,396	309,396	-	-	-	309,396	-	44.8%
Madison Elementary School - Modernization (95063.0) (2)	3,713,582	3,885,111	3,870,591	-	-	-	3,870,591	14,520	104.2%
	<b>6,013,670</b>	<b>4,843,237</b>	<b>4,777,129</b>	-	-	-	<b>4,777,129</b>	<b>86,108</b>	<b>79.4%</b>



**Budget Status Report**  
Budget versus Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						Remaining Against Committed	% Budget Spent
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures			
<b>Marshall Fundamental Secondary</b>										
Marshall Fundamental Secondary - Career Technical Education (95145.0)	1,000,000	15,325	850	-	-	-	850	14,475	0.1%	
	<b>1,000,000</b>	<b>15,325</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>14,475</b>	<b>0.1%</b>	
<b>Marshall Fundamental Secondary School</b>										
Marshall Fundamental Secondary School - Marshall Old Gym Renovation Project (5	1,500,000	1,249,000	1,186,550	-	62,450	-	1,249,000	-	83.3%	
Marshall Fundamental Secondary School - Measure T E-Rate (95180.0)	438,000	428,192	406,782	-	21,410	-	428,192	-	97.8%	
Marshall Fundamental Secondary School - Sports Complex (95049.0) (2)	12,566,864	13,899,491	11,827,929	28,263	471,047	34,591	12,361,831	1,537,660	98.4%	
	<b>14,504,864</b>	<b>15,576,683</b>	<b>13,421,261</b>	<b>28,263</b>	<b>554,907</b>	<b>34,591</b>	<b>14,039,022</b>	<b>1,537,660</b>	<b>96.8%</b>	
<b>McKinley Elementary School</b>										
McKinley Elementary School - Career Technical Education (95145.0)	250,000	52,543	51,619	-	-	-	51,619	924	20.6%	
McKinley Elementary School - Measure T E-Rate (95180.0)	192,000	188,409	178,988	9,420	-	-	188,409	-	98.1%	
McKinley Elementary School - Phase I New Construction (95046.0) (2)	25,115,027	22,971,542	22,784,980	18,875	-	214,003	23,017,857	(46,315)	91.6%	
McKinley Elementary School - Phase II Modernization (95123.0) (2)	9,907,526	1,967,774	520,002	-	127	-	520,129	1,447,645	5.2%	
	<b>35,464,553</b>	<b>25,180,268</b>	<b>23,535,589</b>	<b>28,295</b>	<b>127</b>	<b>214,003</b>	<b>23,778,014</b>	<b>1,402,254</b>	<b>67.0%</b>	
<b>Norma Coombs Alternative</b>										
Norma Coombs Alternative - Measure T E-Rate (95180.0)	151,200	146,511	139,186	7,326	-	-	146,511	-	96.9%	
Norma Coombs Alternative - New CR Wing & Admin Bldg (95133.0) (2)	4,638,061	1,205,225	1,057,056	19,883	-	-	1,076,939	128,286	23.2%	
	<b>4,787,261</b>	<b>1,351,736</b>	<b>1,196,242</b>	<b>27,209</b>	<b>-</b>	<b>-</b>	<b>1,223,451</b>	<b>128,286</b>	<b>25.6%</b>	
<b>Pasadena High School</b>										
Pasadena High School - ADA Upgrade (DSA) (95074.0) (2)	894,287	570,708	471,561	-	-	-	471,561	99,147	52.7%	
Pasadena High School - Campus Appearance/Identity (95080.0) (2)	1,882,124	153,005	124,181	-	-	-	124,181	28,824	6.6%	
Pasadena High School - Campus Upgrds/Restrooms Upgrades (95119.0) (2)	3,744,417	2,247,197	1,821,046	115,076	-	-	1,936,122	311,075	51.7%	
Pasadena High School - Career Technical Education (95145.0)	1,107,565	122,943	116,593	-	-	-	116,593	6,350	10.5%	
Pasadena High School - CTE PHS Print Shop Mod (95130.0)	292,435	-	-	-	-	-	-	-	0.0%	
Pasadena High School - Kitchen Project (95139.0) (2)	834,900	445,200	276,185	8,880	-	-	285,065	160,135	34.1%	
Pasadena High School - Measure T E-Rate (95180.0)	660,000	644,227	612,016	-	32,211	-	644,227	-	97.6%	
Pasadena High School - Modernize Gymnasium Complex (95075.0) (2)	15,791,247	15,851,116	1,338,736	21,528	-	-	1,360,264	14,490,853	8.6%	
Pasadena High School - Security System Upgrades (95117.0) (2)	234,778	248,424	248,424	-	-	-	248,424	-	105.8%	
Pasadena High School - Water Meter Separation (95160.0) (2)	29,527	-	-	-	-	-	-	-	0.0%	
	<b>25,471,279</b>	<b>20,282,821</b>	<b>5,008,742</b>	<b>145,484</b>	<b>32,211</b>	<b>-</b>	<b>5,186,438</b>	<b>15,096,384</b>	<b>20.4%</b>	
<b>Program Contingency (95142.0)</b>										
Program Contingency (95142.0) - Program Contingency (95142.0) (2)	13,872,469	-	-	-	-	-	-	-	0.0%	
	<b>13,872,469</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	
<b>Roosevelt Elementary School</b>										
Roosevelt Elementary School - Measure T E-Rate (95180.0)	97,200	96,100	91,295	4,805	-	-	96,100	-	98.9%	
	<b>97,200</b>	<b>96,100</b>	<b>91,295</b>	<b>4,805</b>	<b>-</b>	<b>-</b>	<b>96,100</b>	<b>-</b>	<b>98.9%</b>	
<b>Roosevelt Elementary School</b>										
Roosevelt Elementary School - Multi-purpose Facility (95025.0) (2)	7,447,762	1,861,638	1,717,150	-	-	-	1,717,150	144,488	23.1%	
Roosevelt Elementary School - Water Meter Separation (95162.0)	123,853	-	-	-	-	-	-	-	0.0%	
	<b>7,571,615</b>	<b>1,861,638</b>	<b>1,717,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,717,150</b>	<b>144,488</b>	<b>22.7%</b>	



**Budget Status Report**  
Budget versus Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures	Remaining Against Committed	% Budget Spent
<b>Rose City High School</b>									
Rose City High School - Career Technical Education (95145.0)	375,000	232,608	225,662	-	1,945	-	227,608	5,000	60.7%
Rose City High School - Measure T E-Rate (95180.0)	138,000	134,493	127,768	6,725	-	-	134,493	-	97.5%
Rose City High School - Rose City Modification (95170.0)	284,746	242,454	153,048	-	-	-	153,048	89,405	53.7%
	<b>797,746</b>	<b>609,554</b>	<b>506,479</b>	<b>6,725</b>	<b>1,945</b>	<b>-</b>	<b>515,149</b>	<b>94,405</b>	<b>64.6%</b>
<b>San Rafael Elementary School</b>									
San Rafael Elementary School - Measure T E-Rate (95180.0)	97,200	94,930	90,184	-	4,747	-	94,930	-	97.7%
San Rafael Elementary School - Modernization (95030.0) (1) (2) (3)	4,796,421	1,799,564	1,662,993	18,986	2,018	-	1,683,997	115,568	35.1%
	<b>4,893,621</b>	<b>1,894,495</b>	<b>1,753,177</b>	<b>18,986</b>	<b>6,764</b>	<b>-</b>	<b>1,778,927</b>	<b>115,568</b>	<b>36.4%</b>
<b>Sierra Madre Elementary School (Lower)</b>									
Sierra Madre Elementary School (Lower) - Phase II - HVAC Auditorium Upgrades (95180.0)	241,941	412,755	339,439	630	2,311	-	342,380	70,375	141.5%
	<b>241,941</b>	<b>412,755</b>	<b>339,439</b>	<b>630</b>	<b>2,311</b>	<b>-</b>	<b>342,380</b>	<b>70,375</b>	<b>141.5%</b>
<b>Sierra Madre Middle School</b>									
Sierra Madre Middle School - Measure T E-Rate (95180.0)	115,200	329,028	304,371	-	15,197	-	319,568	9,460	277.4%
	<b>115,200</b>	<b>329,028</b>	<b>304,371</b>	<b>-</b>	<b>15,197</b>	<b>-</b>	<b>319,568</b>	<b>9,460</b>	<b>277.4%</b>
<b>Sierra Madre Middle School (Upper)</b>									
Sierra Madre Middle School (Upper) - New MS Campus (95038.0) (2) (3)	36,481,663	37,828,162	37,446,025	910	-	238,888	37,685,823	142,338	103.3%
	<b>36,481,663</b>	<b>37,828,162</b>	<b>37,446,025</b>	<b>910</b>	<b>-</b>	<b>238,888</b>	<b>37,685,823</b>	<b>142,338</b>	<b>103.3%</b>
<b>Sierra Madre New Middle School</b>									
Sierra Madre New Middle School - Career Technical Education (95145.0)	250,000	38,113	38,113	-	-	-	38,113	-	15.2%
	<b>250,000</b>	<b>38,113</b>	<b>38,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,113</b>	<b>-</b>	<b>15.2%</b>
<b>Technology Modification</b>									
Technology Modification - Technology Modifications (95144.0) (2)	5,000,000	3,075,434	3,075,434	-	-	-	3,075,434	0	61.5%
	<b>5,000,000</b>	<b>3,075,434</b>	<b>3,075,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,075,434</b>	<b>0</b>	<b>61.5%</b>
<b>Washington Accelerated Elementary School</b>									
Washington Accelerated Elementary School - New Child Care Center (95067.0) (2)	1,427,425	128,825	31,697	-	-	-	31,697	97,128	2.2%
Washington Accelerated Elementary School - New Classroom/MPR Bldg (95045.0)	17,929,795	18,981,393	10,687,884	29,082	6,215	29,176	10,752,359	8,229,034	60.0%
Washington Accelerated Elementary School - Water Meter Separation (95104.0) (2)	124,000	-	-	-	-	-	-	-	0.0%
	<b>19,481,220</b>	<b>19,110,218</b>	<b>10,719,581</b>	<b>29,082</b>	<b>6,215</b>	<b>29,176</b>	<b>10,784,055</b>	<b>8,326,163</b>	<b>55.4%</b>
<b>Washington Accelerated School</b>									
Washington Accelerated School - Measure T E-Rate (95180.0)	259,200	251,858	239,265	12,593	-	-	251,858	-	97.2%
	<b>259,200</b>	<b>251,858</b>	<b>239,265</b>	<b>12,593</b>	<b>-</b>	<b>-</b>	<b>251,858</b>	<b>-</b>	<b>97.2%</b>
<b>Washington Middle School</b>									
Washington Middle School - Career Technical Education (95145.0)	1,750,000	33,512	33,512	-	-	-	33,512	-	1.9%
Washington Middle School - Measure T E-Rate 95180.0	270,000	261,489	248,415	13,074	-	-	261,489	-	96.8%
Washington Middle School - New Constr. & Mod. (95081.0) (2)	19,117,195	13,870,062	13,029,665	70,613	520,834	-	13,621,112	248,951	71.3%
	<b>21,137,195</b>	<b>14,165,064</b>	<b>13,311,592</b>	<b>83,687</b>	<b>520,834</b>	<b>-</b>	<b>13,916,113</b>	<b>248,951</b>	<b>65.8%</b>



**Budget Status Report**  
Budget versus Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						Remaining Against Committed	% Budget Spent
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures			
<b>Webster Elementary School</b>										
Webster Elementary School - Aud/AdminBldg/Kitchen/Playground (95047.0) (2)	3,841,567	1,955,474	1,951,858	-	-	-	1,951,858	3,616	50.8%	
Webster Elementary School - Measure T E-Rate 95180.0	144,000	139,666	132,683	6,983	-	-	139,666	-	97.0%	
	<b>3,985,567</b>	<b>2,095,140</b>	<b>2,084,541</b>	<b>6,983</b>	-	-	<b>2,091,524</b>	<b>3,616</b>	<b>52.5%</b>	
<b>Willard Elementary School</b>										
Willard Elementary School - Kinder and Pre-K Complex (95115.0) (2)	3,815,052	4,029,483	3,850,463	-	-	-	3,850,463	179,020	100.9%	
Willard Elementary School - New HVAC (95187.0) (5)	-	2,555	2,555	-	-	-	2,555	-	-	
	<b>3,815,052</b>	<b>4,032,038</b>	<b>3,853,018</b>	-	-	-	<b>3,853,018</b>	<b>179,020</b>	<b>101.0%</b>	
<b>Wilson Middle School</b>										
Wilson Middle School - Career Technical Education (95145.0)	250,000	-	-	-	-	-	-	-	0.0%	
Wilson Middle School - Gym/Locker RM Courtyard Mod (95113.0) (2)	5,135,292	5,029,351	5,019,803	140	7,478	-	5,027,420	1,931	97.9%	
	<b>5,385,292</b>	<b>5,029,351</b>	<b>5,019,803</b>	<b>140</b>	<b>7,478</b>	-	<b>5,027,420</b>	<b>1,931</b>	<b>93.4%</b>	
<b>Totals</b>	<b>343,848,864</b>	<b>250,803,635</b>	<b>188,745,159</b>	<b>863,904</b>	<b>1,395,903</b>	<b>521,156</b>	<b>191,526,121</b>	<b>59,277,513</b>	<b>55.7%</b>	

## **EXHIBIT E**

PASADENA UNIFIED SCHOOL DISTRICT

CITIZENS' OVERSIGHT COMMITTEE

STANDARDS FOR THE EXPENDITURE OF MEASURE TT FUNDS

Approved by the COC on June 21, 2017

**1. Purpose**

- 1.1. In deciding whether to approve or disapprove expenditures of Measure TT bond proceeds, the Citizens' Oversight Committee shall adhere to the following standards.
- 1.2. Deviations from these standards shall require a two-thirds vote of the Committee, shall be justified in writing, and shall be recorded in the minutes of the meeting where such action was taken.

**2. Historical background**

- 2.1. On November 4<sup>th</sup>, 2008, the voters in Pasadena, California passed a \$350 million Measure TT bond initiative to repair and upgrade Pasadena Unified School District's aging and deteriorating schools. The measure passed with 74.5% of 85,998 votes cast in favor of the Measure.
- 2.2. The text of the approved ballot initiative reads as follows:

*"To repair or replace deteriorating and outdated plumbing, heating, ventilation, and fire alarm systems; replace aging portable classrooms, make disabled access improvements, implement energy and water saving projects, modernize or reconstruct kindergartens, cafeterias, multipurpose facilities and gyms, and make the District eligible for millions in State matching grants, shall Pasadena Unified School District issue \$350,000,000 of bonds at lawful interest rates, with no money for administrative salaries, and spending annually reviewed by an independent citizens' oversight committee."*

### **3. Governing Laws**

#### **3.1. California Constitution**

3.1.1. Article 13A, sec. 1(b)(3) provides that Measure TT bond proceeds may be expended only “for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities . . .”

3.1.2. California Constitution Article 13A, sec. 1(b)(3)(A) provides that Measure TT bond proceeds may not be used “for any other purpose, including teacher and administrator salaries and other school operating expenses.”

#### **3.2. California Education Code**

3.2.1. Section 15278(b) provides that the “citizens’ oversight committee shall actively review and report on the proper expenditure of taxpayers’ money for school construction . . . [and] shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.”

3.2.2. Section 15278(b)(1) provides that the citizens’ oversight committee’s oversight functions include ensuring that bond revenues are expended only for the purposes permitted in that paragraph of the California Constitution.

3.2.3. Section 15278(b)(2) also requires a citizens’ oversight committee to insure that “no funds are used for any teacher or administrative salaries or other school operating expenses.”

#### **3.3. Citizens’ Oversight Committee Bylaws**

3.3.1. Section 4.1(c) of the Committee’s bylaws, revised December 17, 2015, also authorizes the Committee to “[r]eview the District’s efforts to maximize bond proceeds in ways designed to: (1) reduce costs of professional fees or site acquisition; (2) incorporate efficiencies in school site design; (3) encourage joint use of core facilities; or (4) involve cost-effective and efficient reusable facility plans.”

#### **4. Permissible expenditures**

**4.1.** Permissible expenditures are (1) capital expenditures (2) that relate directly to the acquisition, construction, reconstruction, rehabilitation, replacement, or equipping (3) of a school listed in Ballot Measure TT or to the acquisition or lease of real property for such a school (“Qualifying Activities” for “Listed Schools”). Thus, the three essential requirements for a permissible expenditure are (1) capital in nature, (2) directly related to a Qualifying Activity, and (3) made to benefit a Listed School.

#### **4.2. “Capital” expenditures**

**4.2.1.** Capital expenditures are those that are incurred for the creation, acquisition, or improvement of capital assets—real property, fixtures, or tangible personal property with a useful life of more than three years.

**4.2.2.** Capital expenditures include the cost of services and other intangibles directly related to the acquisition, construction, or improvement of capital assets.

**4.3.** Examples of permissible expenditures. The following list, which is illustrative and not comprehensive, assumes that these expenditures are directly related to a Listed School.

**4.3.1.** The cost of acquiring land, leaseholds, or easements

**4.3.2.** Hard construction costs, namely, labor and materiel

**4.3.3.** The cost of land surveys, soil analysis, grading, architecture, and engineering.

**4.3.4.** Permitting costs

**4.3.5.** Construction management costs

**4.3.6.** Construction testing costs

**4.3.7.** The cost of upgrading electrical, mechanical, communication, and plumbing systems

**4.3.8.** The cost of installing or upgrading computer networks

**4.3.9.** The cost of structural changes, fixtures, or equipment required to comply with applicable law.

**4.3.10.** The cost of insurance of a project during construction

**4.3.11.** The cost of security for a project during construction

**4.3.12.** The cost of utilities for a project during construction



4.3.13. Legal and accounting fees directly related to construction

4.3.14. The cost of laboratory equipment (not including consumable supplies)

4.3.15. The cost of school furniture and fixtures

4.4. The cost of construction period insurance, security, utilities, and professional services cited above become ineligible for payment from Measure TT funds once the project to which they pertain has been placed in service or is ready to be placed in service, whichever occurs first.

## **5. Impermissible expenditures**

5.1. Any expenditure of Measure TT funds that is not a permissible expenditure is an impermissible expenditure and shall be disapproved by the Committee.

5.2. Impermissible expenditures include those which constitute "period expenses" for financial accounting purposes or deductible expenses for federal income tax purposes and all other non-capital expenditures.

5.3. Impermissible expenditures include those expenditures that might facilitate the acquisition or creation of capital assets in the future but which cannot be linked directly to one or more specific projects or which are not reasonably expected to be financed out of Measure TT bond proceeds.

5.4. Examples of impermissible expenditures. The following list is illustrative and not comprehensive.

5.4.1. The salaries and benefits of teachers and teacher aides.

5.4.2. Administrator salaries and benefits, except to the extent directly attributable and properly chargeable to Qualifying Activities for Listed Schools.

5.4.3. General school operating expenses, for example,

5.4.3.1. Supplies, such as books, chalk, erasers, pens and pencils, paper, or chemicals

5.4.3.2. Computers and computer software (absent reliable evidence that they have a useful life of more than 3 years)

5.4.4. Utilities

5.4.5. Insurance

5.4.6. Janitorial services

- 5.4.7. Outside professional services
- 5.4.8. Routine maintenance and repairs
- 5.4.9. Landscape maintenance
- 5.4.10. Transportation
- 5.4.11. Telephone and Internet access
- 5.4.12. Quality testing after the completion of construction
- 5.4.13. Community outreach
- 5.4.14. Public relations surveys and polls
- 5.4.15. Advertising
- 5.4.16. Travel
- 5.4.17. Entertainment
- 5.4.18. Meals
- 5.4.19. Prizes
- 5.4.20. Lobbying
- 5.4.21. Administrative support of the Citizens' Oversight Committee
- 5.4.22. General planning for future activities, except to the extent that the cost thereof is shown to be directly related to a Qualifying Activity for a Listed School.

## **6. Dual purpose expenditures**

- 6.1. A "dual purpose" expenditure is one which is partly permissible and partly impermissible under the foregoing standards.
- 6.2. Examples of dual purpose expenditures
  - 6.2.1. The compensation of District employees or contractors not all of whose work is directly related to Qualifying Activities for Listed Schools
  - 6.2.2. Professional fees not entirely attributable to Qualifying Activities for Listed Schools
  - 6.2.3. The cost of security services covering both projects under construction and completed projects

6.3. In order for the Committee to approve a dual-purpose expenditure, the District must have allocated the total amount between Measure TT funds and other funds and provided a reasonable factual basis for that allocation.

**7. Other problematic expenditures: historical surveys and “needs assessments”**

7.1. These expenditures, like dual-purpose expenditures, may or may not qualify for payment out of Measure TT funds depending on their nature, purpose, and objective. As always, the test is whether these expenditures are (1) capital in nature, (2) for a Qualifying Activity, and (3) to benefit a Listed School.

7.2. Historical surveys, which are intended to minimize confrontation with preservationists and to expedite future Qualifying Activities, must be evaluated on a case-by-case basis according to their particular facts. In determining whether to approve or disapprove the payment of an historical survey from Measure TT bond funds, the Committee must ask whether the proposed historical survey pertains directly to Qualifying Activities that are reasonably anticipated to occur in the near future or is it being undertaken merely to lay the groundwork and smooth the path for non-project specific activities that may or may not occur.

7.3. Needs assessments may be paid out of Measure TT funds only if they meet the usual standards for permissible expenditures.

7.3.1. Examples:

7.3.1.1. The cost of a needs assessment performed to determine whether the construction, reconstruction, rehabilitation, replacement or equipping of a Listed School is necessary or appropriate and the estimated cost thereof is eligible to be paid out of Measure TT bond proceeds.

7.3.1.2. If the needs assessment pertains to a non-Qualifying Activity, or to a future project that is not expected to be funded from Measure TT bonds proceeds, then the cost thereof cannot be paid out of Measure TT bond proceeds.

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